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**FAXED**  
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**Mr. Philip Baseil**  
**Quick Chek Food Stores**  
**Box 600- Old Highway**  
**Whitehouse Station, N. J. 08889**

**Dear Phil:**

Listed below are some key points relating to our recent discussion on the validity of Philip Morris "Exclusivity" Program:

- A test recently conducted by Southland's Texas Division with Philip Morris as the Exclusive Manufacturer for retail displays resulted in a cancellation of that contract, and the subsequent signing of contracts with PM, and RJR.
- AM-PM (Arco), California signed an Exclusivity Contract in early 1995. After involvement in this contract for nearly one year, Arco is rethinking its position due to lowered Category Sales, and customers lost to other retailers.
- We have found that retailers signing an Exclusivity Agreement experience the following results:
  - A 7-10% decrease in overall category sales.
  - Philip Morris usually shows a share and volume increase.
  - Other Manufacturers experience share and volume decreases.
  - Customers wishing to purchase brands or promotions other than those offered by Philip Morris convert to other retail stores.
- It is in the best interest of the Retailer to adopt a philosophy of *Retail Co-Existence*. This philosophy allows for the Manufacturers' Best Products, Best Brands and Best Promotions versus practices which exclude the Category in favor of promoting a single Manufacturer (PM and Marlboro).
- Retailers can best maximize total Cigarette Category Profitability if they feature, display, and promote the broadest and best brands and promotions across the breadth of the category. The *Co-Existence* Philosophy appeals to 100% of all smokers, not just one Manufacturer's Brand.....Marlboro.

"We work for smokers."

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➤ For 1996 RJR has identified its Partners, both retail and wholesale.

Those accepting our Partners Programs will receive our support and resources.

Those accepting Philip Morris Exclusive Contract" will not receive our National Promotions, Partners Promotions, Retail Contracts, or Field Sales implemented couponing, and price reduction at store level.

I firmly believe that both BAT, and Lorillard will follow a similar tact for the coming year.

Phil, as further information becomes available relating to this subject, I will forward accordingly.

Regards,

*NICK*

G. N. Kuruc, Jr.  
Attachment

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# Don't Sell Yourself Short.

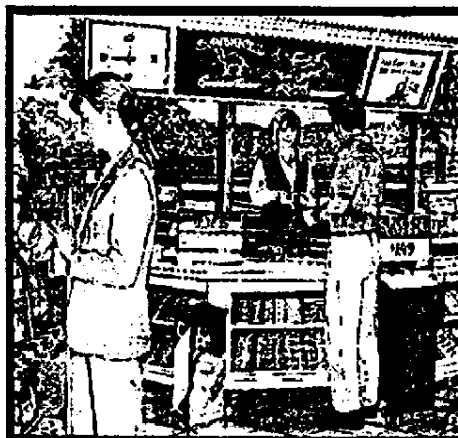
Since 1985, aggressive display and promotion have DOUBLED C-stores' cigarette volume – at the expense of other outlets that chose to reduce the category's exposure. The fact is, almost TWO-THIRDS of all C-store cigarette customers DON'T BUY THE BEST SELLING BRAND.

## Why Force Your Customers To Look Elsewhere?



- Overall Decline in the C-Store's #1 Category
- Competitive Disadvantage in the Marketplace
- Loss of Customer Traffic
- Limited Resources to Build Future Business

## Show Your Customers That They Come First.



- Customer Satisfaction
- Traffic Building Promotional Activity
- Maximum Display Allowances
- Aggressive Displays, Promotions and Pricing to Build Volume

## Retailers - - - Speak Out!

"I'd like to see the manufacturers focus on how we can sell more cigarettes as opposed to mandating space and territory. This is a profitable category for us; and for that reason, we have chosen not to de-emphasize the category."

**John Antioco**  
Chairman of the Board/CEO/President  
Circle K Corporation

"We don't feel it's reality to limit competition between manufacturers by turning the top category over to one manufacturer."

**Victor Jackson**  
Executive Vice President  
Lil' Champ Food Stores, Inc.

"In the c-store business, the tobacco category is the backbone of our business. Therefore, we look to work with all leading manufacturers to manage the category."

**Bill Llewellyn**  
Director of Marketing  
Uni-Marts Inc.

"I think any time you put yourself in an exclusive agreement with a manufacturer, you risk being at a competitive disadvantage because naturally the supplier will be less willing to spend promotional dollars if you bought into an exclusive agreement."

**Hal Adams**  
Sr. Manager of Marketing  
National Convenience Stores Inc.

Contact your RJR Representative. And maximize your category profits.

**RJR Reynolds**  
Tobacco Company